Government of
Saskatchewan

# Annual Report
# 1987-88

## Agricultural
## Credit Corporation of
## Saskatchewan

Saskatchewan

89-02795/

# Annual Report
# 1987-88

## Agricultural
## Credit Corporation of
## Saskatchewan

## Letters of Transmittal

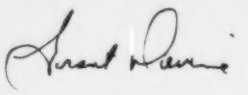
Regina, Saskatchewan

His Honour Frederick W. Johnson
Lieutenant Governor
Province of Saskatchewan

Sir:

I have the honour to present the Annual Report of the Agricultural Credit Corporation of Saskatchewan for the fiscal year ended March 31, 1988.

Respectfully submitted,



Grant Devine, Premier
Minister-in-Charge
Agricultural Credit Corporation
of Saskatchewan

Regina, Saskatchewan

Honourable Grant Devine, Premier
Minister-in-Charge
Agricultural Credit Corporation
of Saskatchewan

Sir:

Presented herewith is the Annual Report of the Agricultural Credit Corporation of Saskatchewan for the fiscal year ended March 31, 1988.

Respectfully submitted,

**Jack Drew**
**Chairman, Board of Directors**
**Agricultural Credit Corporation**
**of Saskatchewan**

## President's Report

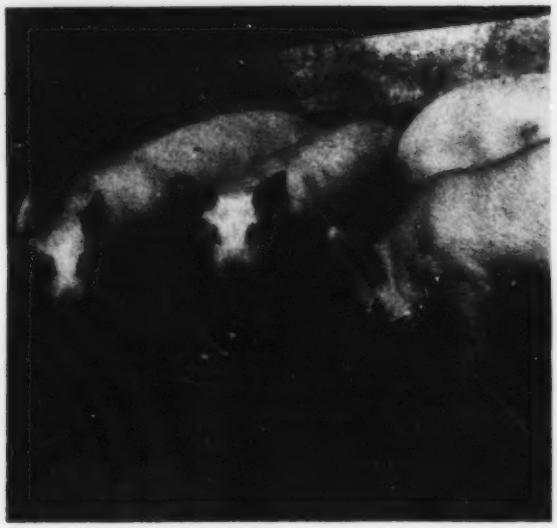
The Agricultural Credit Corporation of Saskatchewan continued to provide service to Saskatchewan Producers in 1987-88 through existing programs which seek to promote a diversified agricultural economy. The Capital Loan Program provided financial assistance to individuals and corporations engaging in a wide variety of diversified enterprises, from beef and hogs to honey bees and silver foxes.

The year saw little improvement in the overall agricultural economy and in response to this, a 10 year repayment option was made available on the Production Loan Program. This option reduced the annual payment required in an effort to assist clients with limited cash flows.

The Livestock Cash Advance Program was extended this year at a reduced level. This meant that producers could receive new advances, or could rollover existing advances on 70% of their livestock inventory. Outstanding advances beyond the 70% could be repaid over a three year period.

The Corporation's loan portfolio in 1987-88 reflected the financial difficulty some clients were experiencing, but ACS staff continue to work with these producers to effect mutually acceptable repayment schedules. A continuing excellent relationship with our clients reflects the professional manner in which ACS staff conduct the Corporation's business.

With the relocation of ACS head office to Swift Current completed in September, 1987, the Corporation has become established in this Southwestern city. ACS strives to meet the needs of Saskatchewan farmers and is thus an important contributor to the health of the agricultural economy in Saskatchewan.



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## Organization

The Agricultural Credit Corporation of Saskatchewan (ACS) is a crown corporation continued pursuant to **The Agricultural Credit Corporation of Saskatchewan Act**.

Reporting to the Minister-in-Charge, a Board of Directors is responsible for managing the affairs of ACS. At March 31, 1988, the members of the Board were Mr. Jack Drew (Chairman), Mr. Neil Stevenson, Ms. Dorothy Ranger, Mr. Bill Cooper, Ms. Joanne Dales, Mr. Larry Sommerfeld, Mr. Herb Axten, Mr. Albert Nicholauson, Mr. John Schreiner and Ms. Connie Blacklock.

The Corporation's head office moved to Swift Current in September of 1987. Head Office provides senior management, research and centralized administrative functions. Client services are provided by staff in regional and district offices throughout the province. In addition, regular office days are held in other communities in order to provide clients with convenient access to ACS programs.

Corporate Officers and Senior Staff
(Swift Current Head Office except where otherwise noted)

| | |
|---|---|
| President | Norm S. Ballagh |
| Research Analyst | Margot Sommerville |
| Vice-President Administration | Morley L. Machin |
| Manager Finance | Barry J. Miller |
| Manager Administration | Donald Schepens |
| Manager Loan Securities | Robert L. Shoemaker |
| Vice-President Field Operations | Denis H. Cote |
| Assistant to the Vice-President Field Operations | Richard G. Lillejord |
| Regional Managers: | |
| Weyburn | Lyle M. Ballard |
| Swift Current | Dennis J. Lafreniere |
| Tisdale | Don Petrar |
| Saskatoon | Joseph A. Rakochy |
| North Battleford | Robert I. Foreman |

## Programs Administered by the Agricultural Credit Corporation of Saskatchewan

Agriculture typically accounts for one half of Saskatchewan's gross provincial product and is also a major contributor to Canada's export earnings. The continued growth of this sector will directly benefit farmers and indirectly lead to enhanced opportunities for secondary processing and manufacturing in the province.

A key factor in realizing the sector's growth potential is the availability and terms of credit. Thus ACS uses credit as a tool to achieve its prime objective which is to assist developing farmers to establish profitable units. Emphasis is placed on intensifying and diversifying the agricultural sector through livestock and irrigation enterprises.

### A. Capital Loan Program

#### 1. Operation

**Criteria**

Applicants must make farming their principal occupation and be Canadian citizens or landed immigrants residing in Saskatchewan during the term of the loan.

The net worth of the applicant and spouse must not exceed $450,000 and their average non-farm income during the previous three years must not exceed $35,000 for applicants without dependents, $45,000 for those with dependents.

**Purpose**

ACS loans may be used for the following:

1. Purchase breeding stock or withhold livestock to establish or expand basic breeding herds. Livestock includes beef, dairy, swine, sheep, poultry, honey bees, goats, horses, bison and fur bearing animals raised in captivity.
2. Clear, break and seed land for grazing or perennial forage crop production.
3. Purchase, construct or renovate buildings, improvements, or facilities and purchase equipment to be used in the establishment or expansion of livestock, greenhouse and mushroom production.
4. Level land and purchase irrigation equipment including specialized equipment for the seeding, harvesting, storing or processing of irrigated crops.
5. Purchase feeder livestock for finishing operations being established or expanded on a permanent basis.
6. Purchase a maximum of one quarter section of land for the purpose of carrying on intensive livestock, greenhouse or mushroom operations on that land.

**Loan Amounts**

The maximum loan is $350,000: the minimum loan is $10,000.

**Interest Rates**

Interest rates are fixed for the term of the loan and are based on the applicant's net worth.

Interest rates for subsidized loans other than for livestock facilities are 8% for the first five years, 12% for the next five years and at a rate based on the Corporation's cost of borrowing, at the time of loan approval, for the remaining five years. At March 31, 1988, this last rate was 13%.

Effective January 1, 1986, subsidized loans which are made for livestock facilities are charged 8% for the full term of the loan.

The amount of loan eligible for subsidized rates is reduced by $3.50 for every $1.00 of net worth exceeding $350,000, with any remaining portion of the loan being the non-subsidized rate. At March 31, 1988, this rate was 13%.

Interest rates on loans made in prior fiscal years are also fixed for the term of those loans. Depending on the date of loan approval, interest rates vary from 6% to 14%.

**Security**

ACS security requirements recognize both the need to protect public funds advanced by the program and the ability of developing farmers to provide security.

Security may include assets acquired with loan funds and may be in the form of land mortgages and security agreements on other assets. Guarantees on behalf of the applicant are also acceptable.

All loans must be adequately protected by life insurance. ACS offers a group life insurance program although assignments of other life insurance policies are acceptable.

## 2. Assistance Provided

ACS approved 283 loans during the 1987-88 fiscal year, totalling $11,068,747 (Table 1), a drop in dollars approved of 46% from the previous year. There was also a decrease in the average loan size from $49,257 in 1986-87 to $39,112 in 1987 88.

A breakdown of approvals by type is provided in Table 2. In 1987-88 the number of hog loans approved represented 43.8% of total approvals, beef loans 41.3%, dairy 6.7%, irrigation 1.4% and others at 6.8%. For the previous year 1986-87 these figures were hogs 41.7%, beef 37.4%, dairy 13.4%, irrigation 2.2% and others 5.3%. Dollars approved in each category in 1987-88 were divided between hogs 41.6%, beef 36.3%, dairy 9.5%, irrigation 1.4% and other 11.2%. In 1986-87 dollars approved in each category were broken down into hogs 35.9%, beef 31.5%, dairy 23.4%, irrigation 1.8% and others 7.3%.

Loans disbursed in 1987-88 were utilized for buildings and improvements, livestock and machinery and equipment as outlined in Table 3. This illustrates the facility intensive nature of hog, poultry and honey production, compared to beef production in which investment in livestock themselves is greater.

The total dollars outstanding to ACS under the Capital Loan Program at March 31, 1988 were $158,545,250 divided among 7,021 loans. This dollar figure represents both current and delinquent principal and interest (Table 4).

## 3. Repayments

At March 31, 1988 ACS had 3,989 active clients in the Capital Loan Program, 3,756 of whom were in the repayment phase of their loan. Of the 3,756 clients, 646 or 17.2% had accounts that were in arrears at March 31. This rate of arrears is unchanged from 1986-87 and may have been significantly higher but for the continued efforts of ACS field staff to assist clients through these difficult economic times.

## 4. Client Profile

New farmers are defined here as applicants reporting little or no farm income prior to application. There were 71 clients in this group in 1987-88. Their average age was 30 years, and non farm income averaged $10,678.

This group of clients had average gross assets of $227,438 with an average net worth of $106,261. Their debt load was divided between $17,985 short term and $100,606 long term. The average land base was 721 acres, 281 of which were owned.

The 135 applicants who had previous farm involvement were an average age of 33 years, 2 years higher than last year. They reported average gross farm income of $52,369 and a net farm income of $5,610. The non-farm income averaged $8,603, a decrease of $465 from the 1986-87 year.

Gross assets for these farmers averaged $306,226 and their average net worth was $161,591. Their debt load was divided between short term debts of $21,823 and long term debts of $124,148. They owned 419 acres of a land base of 906 acres.

**Table 1**

### Total Loans Approved From Program Commencement

| Year | Number* | Loans | Grants | Total |
|---|---|---|---|---|
| 1973-78 | 3,402 | $ 75,550,466 | $14,358,164 | $ 89,908,630 |
| 1978-79 | 375 | 12,891,656 | 1,370,601 | 14,262,257 |
| 1979-80 | 658 | 25,050,263 | 1,953,457 | 27,003,720 |
| 1980-81 | 1,059 | 44,270,642 | 2,202,218 | 46,472,860 |
| 1981-82 | 880 | 36,989,382 | 1,540,584 | 38,530,236 |
| 1982-83 | 463 | 18,108,897 | 510,719 | 18,619,616 |
| 1983-84 | 295 | 13,778,096 | 0 | 13,778,096 |
| 1984-85 | 381 | 20,863,676 | 0 | 20,863,676 |
| 1985-86 | 205 | 13,099,775 | 0 | 13,099,775 |
| 1986-87 | 417 | 20,540,242 | 0 | 20,540,242 |
| 1987-88 | 283 | 11,068,747 | 0 | 11,068,747 |
| Total | | $292,211,842 | $21,936,013 | $314,147,855 |

* Prior to 1978-79: Applications Approved
As of 1978-79: Loans Approved

**Table 2**

## Loan Approvals by Type and Region

For the Year Ended March 31, 1988

| Region | Hogs | Beef | Dairy | Irrigation | Other | Total | Number of Loans |
|---|---|---|---|---|---|---|---|
| Weyburn | $ 309,600 | $1,220,996 | $ 339,800 | $ 0 | $163,000 | $ 2,033,396 | 49 |
| Swift Current | 396,595 | 1,523,194 | 168,225 | 151,690 | 0 | 2,239,704 | 69 |
| Tisdale | 1,507,667 | 454,350 | 0 | 0 | 861,140 | 2,823,157 | 62 |
| Saskatoon | 1,451,754 | 172,314 | 476,532 | 0 | 148,600 | 2,249,200 | 47 |
| North Battleford | 934,400 | 643,778 | 64,100 | 0 | 81,012 | 1,723,290 | 56 |
| Total | $4,600,016 | $4,014,632 | $1,048,657 | $151,690 | $1,253,752 | $11,068,747 | |
| Number of Loans | 124 | 117 | 19 | 4 | 19 | | 283 |

**Table 3**

## Loan Disbursements by Purpose

For the Year Ended March 31, 1988

| Type | Buildings and Improvements | Livestock | Machinery and Equipment |
|---|---|---|---|
| Hogs | 85.0% | 10.8% | 4.2% |
| Beef | 17.1 | 73.8 | 9.1 |
| Dairy | 56.5 | 37.4 | 6.1 |
| Bees | 65.0 | 2.4 | 32.6 |
| Irrigation | 0.0 | 0.0 | 100.0 |
| Sheep | 45.1 | 44.2 | 10.7 |
| Poultry | 98.9 | 0.0 | 1.1 |

**Table 4**

## Loans Outstanding

To March 31, 1988

| Type | Loans | Amount |
|---|---|---|
| Hogs | 1,329 | $ 36,270,269 |
| Beef | 4,160 | 66,421,226 |
| Dairy | 877 | 34,152,128 |
| Poultry | 97 | 5,324,150 |
| Sheep | 57 | 877,758 |
| Bees | 145 | 5,109,982 |
| Irrigation | 226 | 9,526,858 |
| Other | 130 | 862,879 |
| Total | 7,021 | $158,545,250 |

## B. Guaranteed Loan Programs

In addition to the direct loan assistance to farmers, ACS administers several loan guarantee programs.

### 1. Guaranteed Operating Loans (GOL)

To assist those clients who have obtained a capital loan and who lack the necessary finances to meet immediate cash flow requirements, the Corporation provides guaranteed operating loans which are obtained from the lender of the client's choice. Loans guaranteed prior to January 1, 1984, are covered to the extent of eighty percent of any loss to the lender. Subsequent loans are guaranteed to ninety percent.

During the 1987-88 fiscal year, the Corporation provided 8 guarantees with a total value of $228,652. As of March 31, 1988, $281,797 was outstanding under the GOL program.

### 2. Other Guaranteed Loan Programs

Effective January, 1984, ACS implemented the Guaranteed Operating Loans for Feeders (GOLF) program to assist the feedlot industry and to encourage increased cattle feeding in Saskatchewan. The program expired December, 1986.

Beginning October, 1974, the Guaranteed Livestock Loans (GLL) program was introduced, under which lenders were limited to charging a maximum of two percent above their prime interest rates. The program concluded December, 1983.

## C. Livestock Cash Advance Program (LCAP)

The Livestock Cash Advance Program, implemented by the Corporation in 1985, provides livestock producers with interest free loans based on their livestock inventory to enable them to meet their immediate cash requirements while retaining their animals for future sale.

Eligibility under this Program requires that applicants must be:

- an individual actively engaged in farming and a resident of Saskatchewan who is a Canadian citizen or permanent resident of Canada, or
- a partnership, cooperative or a corporation with a head office in Saskatchewan which is principally carrying on business in Saskatchewan with at least one partner, member or shareholder who meets the eligibility criteria for an individual.

Loans are based on 70% of the livestock inventory owned by the applicant as follows:

| | |
|---|---|
| All Beef and Dairy Cattle | $125 per head |
| Bison | $125 per head |
| Horses | $125 per head |
| Sheep | $ 25 per head |
| Goats | $ 25 per head |
| Hogs | $ 25 per head |

The loans are interest free for twelve months from the date of disbursement. If the producer reduces his inventory below that on which his loan has been based, a proportionate amount of the loan must be paid within 30 days. Similarly, advances are due and payable within 30 days if livestock leave the province of Saskatchewan, or if the applicant ceases to be actively engaged in farming in Saskatchewan, or ceases to be a resident of Saskatchewan. Any amount in arrears is charged interest at 11¾% per annum.

The Livestock Cash Advance Program was changed in 1987 from loans based on 100% of the livestock inventory to the current level of 70%. As of October 1, 1987, 70% of existing loans could be rolled over, while the 30% was repaid immediately or could be converted to a 3 year term loan bearing 8% interest.

From April 1 to September 30, 1988, $10,395,850 in new loans was advanced at the 100% level, while an additional $5,765,982 was advanced for the remainder of the fiscal year at the 70% level. This brought total dollars disbursed from program commencement to March 31, 1988 to $229,274,757. At year end, the amount outstanding under the LCAP was $163,675,693.

## D. Production Loan Program (PLP)

The Production Loan Program, which began in January, 1986, was designed to provide operating funds for Saskatchewan farmers, beekeepers, potato growers and greenhouse operators. The program provided funds in 1986 only and no new production loans are available.

The original production loan bore interest at 6% and was repayable over three years in equal annual installments of principal plus accrued interest on three successive anniversaries of loan disbursement. This loan was secured by means of a promissory note.

In 1987 an extension was available to clients whereby they could postpone any repayment of the principal until 1988. Thus in each of the years 1988, 1989 and 1990, one-third of the principal plus the accrued interest would be paid.

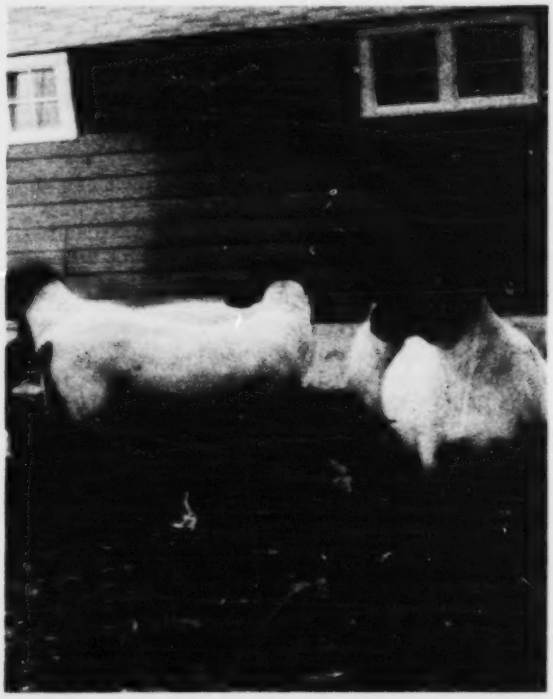
For 1988 a further change was offered to the loan agreement whereby clients were given two repayment options:

Option 1 — to remain on the 3 year repayment at 6% interest

Option 2 — to extend the repayment period to 10 payments over nine years.

Those funds that remained outstanding on the three year repayment retained the 6% interest rate while the extended portion would be charged 9¾% interest. The extended option required the provision of a security agreement in addition to a promissory note.

Under the PLP, the Corporation disbursed $1,093,818,235 to 57,614 applicants. As of March 31, 1988, $791,943,504 in the original program remains outstanding together with 16,642 extended production loans having an outstanding balance of $86,929,746.



## Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Agricultural Credit Corporation of Saskatchewan as at March 31, 1988 and the statements of operations and equity and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1988 and the results of its operations and the changes in its cash position for the year then ended in accordance with the accounting principles disclosed in Note 2 to the financial statements.

The accounts for the year ended March 31, 1987 were reported on by the Provincial Auditor Saskatchewan.

Price Waterhouse

Saskatoon, Saskatchewan,
November 18, 1988

Price Waterhouse
Chartered Accountants.

## Statement of Financial Position

**As at March 31**
(in thousands)

**Statement 1**

| | 1988 | 1987 |
|---|---|---|
| **Assets** | | |
| Cash | **$ 2,421** | $ 544 |
| Accounts receivable | **131** | 115 |
| Loans receivable (Notes 3 & 5) | **1,202,221** | 1,416,340 |
| Less: Allowance for loan losses (Note 4) | **146,551** | 145,682 |
| | **1,055,670** | 1,270,658 |
| Other assets | **30** | – |
| Office equipment (Note 2(d)) | **553** | 298 |
| Prepaid and deferred costs (Note 2(e)) | **4,989** | 4,133 |
| | **$1,063,794** | $1,275,748 |
| **Liabilities** | | |
| Interest and other accrued payables | **$ 20,895** | $ 9,059 |
| Unexpended grant repayable (Note 8) | **539** | 2,076 |
| Payable to Department of Agriculture (Note 3(d)) | **14** | 4 |
| Notes payable (Note 6(a)) | **312,500** | 935,600 |
| Deferred revenue | **755** | – |
| Long term debt (Note 6(b)) | **728,243** | 328,243 |
| | **1,062,946** | 1,274,982 |
| **Equity** | | |
| Equity in office equipment | **553** | 298 |
| Accumulated surplus (Statement 2) | **295** | 468 |
| | **848** | 766 |
| | **$1,063,794** | $1,275,748 |

The accompanying notes are an integral part of the financial statements

## Statement of Operations and Equity

**Statement 2**

**For the year ended March 31**
(in thousands)

| | 1988 | 1987 |
|---|---|---|
| **Interest income** | | |
| Loans receivable | **$ 78,990** | $ 78,800 |
| **Interest expense** (Note 7) | | |
| Notes payable | **65,351** | 102,272 |
| Long term debt | **45,836** | 24,590 |
| | **111,187** | 126,862 |
| **Net interest expense** | **32,197** | 48,062 |
| Provision for loan losses (Note 4) | **3,390** | 22,696 |
| Administrative expenses (Schedule 1) | **6,849** | 4,267 |
| Other (income) expense | **(1,799)** | (435) |
| **Loss before grants** | **40,637** | 74,590 |
| Grants from the Province of Saskatchewan | **40,464** | 165,362 |
| **Surplus (loss) for the year** | **(173)** | 90,772 |
| Surplus (deficit) at beginning of the year | **468** | (90,304) |
| **Surplus at end of the year** | **$ 295** | $ 468 |

The accompanying notes are an integral part of the financial statements

## Statement of Changes in Cash Position

**Statement 3**

**For the year ended March 31**
(in thousands)

| | 1988 | 1987 |
|---|---|---|
| Cash provided by (used in): | | |
| **Operating activities** | | |
| Surplus (loss) for the year | **$ (173)** | $ 90,772 |
| Items not involving cash | | |
| Increase in provision for loan losses | **3,390** | 22,696 |
| Increase in accrued interest on loans receivable | **(5,846)** | (14,432) |
| Increase in accrued interest on debt payable | **11,836** | 1,320 |
| Amortization of debt issuing costs | **1,694** | 781 |
| Other non-cash items | **(9)** | – |
| | **10,892** | 101,137 |
| Loans to farmers | **(26,299)** | (190,494) |
| Loans receivable repaid | **243,651** | 77,523 |
| Other loan receivables | **(166)** | (254) |
| Other operating activities | **(551)** | 1,158 |
| Cash provided by (used in) operating activities | **227,527** | (10,930) |
| **Financing activities** | | |
| Long term debt proceeds (net) | **397,450** | 153,486 |
| Net decrease in notes payable | **(623,100)** | (115,095) |
| Cash provided by (used in) financing activities | **(225,650)** | 38,391 |
| **Net increase in cash** | **1,877** | 27,461 |
| Cash at beginning of year | **544** | (26,917) |
| **Cash at end of the year** | **$ 2,421** | $ 544 |

The accompanying notes are an integral part of the financial statements

## Notes to the Financial Statements
**March 31, 1988**

Agricultural Credit Corporation of Saskatchewan

1. **Status of the Corporation**

   **The Agricultural Credit Corporation of Saskatchewan Act** came into force on January 1, 1984 repealing **The Agricultural Incentives Act**, proclaimed July 3, 1973. This new Act established the Agricultural Credit Corporation of Saskatchewan as a continuance for the corporation known as FarmStart which was previously established by **The Agricultural Incentives Act**. Under this new Act, a fund known as The FarmStart Fund was continued as the Agricultural Credit Corporation of Saskatchewan Fund, through which all transactions reflected in these statements were conducted.

2. **Significant Accounting Policies**

   a) The Corporation has adopted the accrual basis of accounting.

   b) Grant funds received from the Minister of Agriculture from the monies appropriated for a specific program which are surplus to the needs of that program for the fiscal year are reflected in the financial statements as a reduction of reported Grant revenue and as a payable for unexpended grants. Expenses incurred in the fiscal year which exceed the grant provided for that purpose are reflected in the financial statements as a deficit for the year and will be offset against the grant to be received for that purpose in the subsequent year (Note 8).

   c) Amounts recovered from farmers in respect of grants paid to them in prior years are retained by the Corporation as surplus.

   d) Office equipment is expensed during the year of purchase. To maintain accountability for this equipment, the cost, net of disposals, is reflected on the Statement of Financial Position as an asset with an offsetting equity balance.

   e) Discounts and expenses relating to the issuance of debt are amortized on a straight-line basis over the life of the debt and included in Interest expense on Long term debt. The unamortized costs are carried on the Statement of Financial Position in Prepaid and deferred costs.

   f) Bonds and the related interest thereon payable in foreign currencies are hedged by currency contracts and are converted into Canadian dollars at the rates provided therein. The differences between the ultimate amounts payable at the contracted rates and the cash proceeds of the debt issues are considered to be financing costs and are therefore amortized by charges to Interest expense on Long term debt on a straight-line basis over the life of the debt.

   g) The allowance for loan losses represents an estimate of probable losses on the accounts outstanding at the end of the fiscal year. This allowance has been based, in general, upon an estimate of probable loan losses which have not yet been identified and, in part, on a review of existing loans in arrears. (Note 4).

      Actual loan losses are charged to the allowance while recoveries are credited to the allowance. The adjustment of the allowance to the level regarded by management as being appropriate is reflected in the Statement of Operations and Equity as the Provision for loan losses.

      On October 1, 1987, the Corporation initiated a Capital Loan Allowance fee of 2% of the approved loan amount for all new applications. This fee has been set aside in a separate account to provide funding in the future for loan losses on Capital Loan Program loans approved after October 1, 1987. Interest is credited to the account on the previous month end balance at the rate of interest being paid on promissory notes due to the Province of Saskatchewan (Note 4(b)).

3. **Loan Programs**

   a) **Capital Loan Program**

      Loans are repayable, with interest, over terms not exceeding fifteen years. The loans bear interest at rates varying between 6% and 14% depending on the year of issue. Security on individual loans varies according to what is considered adequate in particular circumstances, and includes mortgages on real property, security agreements and guarantees, as well as insurance on the lives of the borrowers.

b) **Production Loan Program**

Under the Production Loan Program introduced in January, 1986, the Corporation provided farmers, bee colony owners, potato producers and greenhouse producers with loans which bear interest at 6% repayable in equal principal installments over a term of three years. Loan disbursements on this program were completed December 31, 1986. Loans are secured by promissory notes and, where applicable, by shareholder guarantees.

In December, 1986, the Corporation announced that borrowers would be provided with the option of amending the term of their existing loans to postpone the first principal payment and to extend the term of their loans by one year. Approximately 85% of the borrowers chose this option.

In December 1987 the Corporation announced that borrowers would be provided with a further option of repaying the principal in ten equal principal installments commencing on their anniversary date in 1988. Those funds which would have remained outstanding under the existing payment arrangement will continue to bear interest at 6% with the balance of the funds bearing interest at 9¾%. Approximately 42% of the borrowers have chosen this option.

c) **Livestock Cash Advance Program**

Under the Livestock Cash Advance Program introduced in August, 1985, the Corporation provides livestock producers with loans which are interest free for twelve months from the date of disbursement, or less, if the number of livestock is reduced. Upon expiry, borrowers are provided with the option of amending the term of their existing loans to extend the interest free due date by one year, based upon their livestock inventory. Loans are secured by promissory notes and, where applicable, by shareholder guarantees.

For loans which expire on and after August 1, 1987 the borrower may apply for a new one year interest free loan for 70% of their current livestock inventory, the proceeds of which are applied to their existing loan. The balance, if any, of the existing loan must be repaid or may be converted to a term loan bearing interest at 8% repayable in three equal principal installments commencing one year from the conversion date. Approximately 32% of the borrowers have chosen the 8% term loan.

d) **Other Loans**

Under Parts VI, VII and VIII of the Regulations under The Agricultural Incentives Act, the Corporation was authorized to make cash advances to cattle farmers for the purpose of maintaining their breeding stock. This program expired on March 31, 1980, and all loans and accrued interest became due and payable.

The Corporation administers Conservation and Development Loans for the Department of Agriculture. Principal and interest payments received on these loans during the year are recorded as payable to the Department of Agriculture. The loan balances are not included in the Corporation's statements.

4. **Allowance for Loan Losses**

| | 1988 | 1987 |
|---|---|---|
| | (in thousands) | |
| **Allowance for Losses** | | |
| Balance at beginning of year | **$ 145,682** | $ 124,784 |
| Allowance fees charged and interest credited | **21** | – |
| Provision for loan losses | **3,390** | 22,696 |
| Loan losses recovered | **296** | 48 |
| Actual loan losses | **(2,838)** | (1,846) |
| Balance at end of year | **$ 146,551** | $ 145,682 |

5. **Loans Receivable – March 31**

| | 1988 | | | 1987 | | |
|---|---|---|---|---|---|---|
| | (in thousands) | | | | | |
| | **Gross** | **Allowance** | **Net** | **Gross** | **Allowance** | **Net** |
| Capital Loans | **$ 159,411** | **$ 17,446** | **$ 141,965** | $ 163,247 | $ 14,924 | $ 148,323 |
| Production Loans | **878,873** | **109,346** | **769,527** | 1,068,231 | 109,382 | 958,849 |
| Livestock Cash Advances | **163,676** | **19,629** | **144,047** | 184,604 | 21,311 | 163,293 |
| Other Loans | **261** | **130** | **131** | 258 | 65 | 193 |
| Totals | **$1,202,221** | **$ 146,551** | **$1,055,670** | $1,416,340 | $ 145,682 | $1,270,658 |

6. **Borrowing**

Under Section 19 of **The Agricultural Credit Corporation of Saskatchewan Act** the Corporation may, with the approval of the Lieutenant Governor in Council, borrow monies from various sources as it deems necessary for its purposes. Section 22 restricts total borrowing by the Corporation to $2,000,000,000.

All funds borrowed from time to time under the line of credit with the Corporation's bank are at the bank's prime rate of interest.

All debt is repayable in Canadian Dollars except as otherwise noted.

a) **Notes Payable**

A note due to the Province of Saskatchewan Consolidated Fund for $312.5 million is outstanding at March 31, 1988 (1987 – $935.6 million). The note is due June 30, 1988 and bears interest at 8.63% (1987 – 7.05%).

b) **Long Term Debt**

All long term debt is repayable to the Province of Saskatchewan Consolidated Fund. Principal is due at maturity and bears interest at the following weighted average interest rates:

| Year of Maturity | 1988 Amount Due | 1988 Weighted Average Interest Rate | 1987 Amount Due | 1987 Weighted Average Interest Rate |
|---|---|---|---|---|
| | (in thousands) | | (in thousands) | |
| Debentures | | | | |
| 1994 | $ 17,845 | 9.00% | $ 17,845 | 9.00% |
| 1995 | 19,292 | 8.77 | 19,292 | 8.77 |
| 1996 | 32,498 | 9.04 | 32,498 | 9.04 |
| 1998 | 4,657 | 9.49 | 4,657 | 9.49 |
| 2000 | 22,580 | 12.15 | 22,580 | 12.15 |
| 2001 | 28,412 | 15.36 | 28,412 | 15.36 |
| 2002 | 31,042 | 15.70 | 31,042 | 15.70 |
| 2003 | 13,517 | 11.59 | 13,517 | 11.59 |
| | $169,843 | 11.91% | $169,843 | 11.91% |
| Bonds | | | | |
| 1989 | $ 68,400* | 6.25% | $ 68,400* | 6.25% |
| 1990 | 240,000** | 9.13 | 90,000** | 8.50 |
| 1993 | 50,000 | 9.75 | | |
| 1996 | 200,000 | 9.63 | | |
| | $558,400 | 9.01% | $158,400 | 7.53% |
| Total | $728,243 | 9.68% | $328,243 | 9.79% |

*Swiss Franc/Canadian Dollar dual currency issue converted to Canadian Dollars with interest payable in Swiss Francs and principal repayable in Canadian Dollars.

**Euro Canadian Dollar issues

7. **Debt Servicing Costs**

| | 1988 | 1987 |
|---|---|---|
| | (in thousands) | |
| Bank Interest | $ — | $ 240 |
| Interest on notes payable | 65,351 | 102,032 |
| Interest on long term debt | 43,477 | 23,477 |
| Amortized bond costs | 2,359 | 1,113 |
| | $ 111,187 | $ 126,862 |

8. **Appropriations from the Province of Saskatchewan — Department of Agriculture**

Under Section 29 of **The Agricultural Credit Corporation of Saskatchewan Act**, the Minister of Agriculture may make grants to the Corporation out of monies appropriated by the Legislature. During the year ended March 31, 1988, grants were received for the payment of administration costs, interest on borrowed funds, losses incurred on loans extended under the Act, and costs incurred by honouring guarantees made under the Act. The Corporation is required to repay to the Consolidated Fund any surplus remaining from the grants received by it during the year.

Amounts recovered (net) from farmers in respect of grants paid to them in prior years are retained by the Corporation as surplus (Note 2(c)).

The following table summarizes activity for the year ended March 31, 1988:

| (in thousands) | Administration | Interest Subsidy | Loan Losses | Grants to Farmers | Total |
|---|---|---|---|---|---|
| 1987/88 Appropriations Approved | $ 5,815 | $ 36,388 | $ 3,500 | $ – | $ 45,703 |
| **Grant proceeds received** | 5,615 | 31,888 | 3,500 | – | 41,003 |
| Gross expenditures | 6,849 | 111,187 | 5,405 | – | 123,441 |
| Surplus revenue (Note 2(c)) | – | – | – | 136 | 136 |
| | 6,849 | 111,187 | 5,405 | 136 | 123,577 |
| Deduct – Gross revenue | 1,663 | 78,990 | 2,015 | 136 | 82,804 |
| **Net expenditure for purpose specified** | 5,186 | 32,197 | 3,390 | – | 40,773 |
| **Unexpended (overexpended) grants** | 429 | (309) | 110 | – | 230 |
| Over expenditure to be recovered from 1988-89 grant (Note 2(b)) | – | 309 | – | – | 309 |
| **Unexpended grant repayable** | $ 429 | $ – | $ 110 | $ – | $ 539 |

9. **Guaranteed Loans Under The Agricultural Credit Corporation of Saskatchewan Act**

The Corporation provides guarantees on loans extended to farmers by commercial banks and credit unions.

Capital loan clients may be approved for guaranteed operating loans to help finance their operation. Loans made prior to January 1, 1984 are guaranteed for 80% while loans made subsequent to that date are guaranteed for 90%. The contingent liability of the Corporation for guaranteed operating loans outstanding or approved at March 31, 1988 is $281,797 (1987 – $668,035).

Loans to feed lot operators made prior to the December 31, 1986 program expiry date are guaranteed for 80%. The contingent liability of the Corporation for guaranteed operating loans for feeders outstanding at March 31, 1988 is $23,801 (1987 – $63,429).

10. **Commitments**

At March 31, 1988 there were approximately $3,014,118 (1987 – $5,873,154) in Capital Loans approved but not yet disbursed.

11. **Related Party Transactions**

In accordance with established government policy, the Corporation assumed responsibility on April 1, 1987 for reimbursement of the occupancy costs of its sixteen offices within the province. Prior to April 1, 1987, the Corporation was not charged for these costs.

Other routine operating transactions with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related are conducted at prevailing market rates.

These financial statements include the expense amounts resulting from occupancy costs and other routine operating transactions. All accounts are settled on normal trade terms and any outstanding amounts are included in the Statement of Financial Position.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and notes thereto.

12. **Directors and Officers**

The aggregate remuneration of directors and officers for the fiscal year included in salaries and benefits on Schedule 1 amounted to $215,301 (1987 – $184,203).

13. **Comparative Figures**

Certain of the prior year comparative figures have been reclassified to conform with the current year presentation.

## Schedule of Administrative Expenses

**Schedule 1**

**For the year ended March 31**
(in thousands)

| | 1988 | 1987 |
|---|---|---|
| Advertising | $ 33 | $ 50 |
| Data processing | 1,358 | 581 |
| Postage and courier | 171 | 8 |
| Printing and stationery | 254 | 100 |
| Professional services | 717 | 257 |
| Purchase of office equipment | 68 | 217 |
| Rent | 382 | – |
| Salaries and benefits (Note 12) | 3,123 | 2,566 |
| Security fees | 47 | 36 |
| Telephone | 192 | 67 |
| Travel and sustenance | 319 | 193 |
| Miscellaneous administrative costs | 185 | 192 |
| **Total Administrative Expenses** | $ 6,849 | $ 4,267 |

## Regional Offices

| ACS Office Locations: | Telephone: |
|---|---|
| **Head Office** | |
| 250 Central Avenue North<br>Box 820<br>Swift Current,<br>Saskatchewan<br>S9H 3W8 | (306) 778-8455 |
| **South-East Region** | |
| Regional Office: | |
| Weyburn Square<br>110 Souris Avenue<br>Box 2003<br>Weyburn, Saskatchewan<br>S4H 2Z9 | 848-2373 |
| District Offices: | |
| Box 399<br>Indian Head, Saskatchewan<br>S0G 2K0 | 695-2263 |
| Box 1319<br>Moosomin, Saskatchewan<br>S0G 3N0 | 435-3357 |
| **South-West Region** | |
| Regional Office: | |
| E. I. Wood Building<br>350 Cheadle Street West<br>Swift Current,<br>Saskatchewan<br>S9H 4G3 | 778-8485 |
| District Offices: | |
| Asaskan Complex<br>Box 250<br>131-3rd Avenue West<br>Assiniboia, Saskatchewan<br>S0H 0B0 | 642-5955 |
| 118 W. G. Davies Building<br>110 Ominica Street West<br>Moose Jaw, Saskatchewan<br>S6H 6V2 | 694-3615 |
| **Central Region** | |
| Regional Office: | |
| 3130 8th Street East<br>Saskatoon, Saskatchewan<br>S7K 2H6 | 933-5353 |
| District Offices: | |
| Box 9<br>415 Saskatchewan Avenue<br>Outlook, Saskatchewan<br>S0L 2N0 | 867-8684 |
| Water Supply Board Building<br>Box 1240<br>Main Street<br>Watrous, Saskatchewan<br>S0K 4T0 | 946-3395 |
| **North-East Region** | |
| Regional Office: | |
| Provincial Building<br>1107-99th Street<br>Box 1480<br>Tisdale, Saskatchewan<br>S0E 1T0 | 873-2693 |
| District Offices: | |
| Main Floor — McIntosh Mall<br>800 Central Avenue<br>Box 3003<br>Prince Albert,<br>Saskatchewan<br>S6V 6G1 | 953-2770 |
| A. G. Kuziak Building<br>72 Smith Street East<br>Yorkton, Saskatchewan<br>S3N 2Y4 | 786-1500 |
| **North-West Region** | |
| Regional Office: | |
| Provincial Building<br>1146-102nd Street<br>North Battleford,<br>Saskatchewan<br>S9A 1E9 | 446-7646 |
| District Offices: | |
| Box 1000<br>Railway Avenue<br>Shellbrook, Saskatchewan<br>S0J 2E0 | 747-2151 |
| Box 369<br>201 2nd Street West<br>Meadow Lake,<br>Saskatchewan<br>S0M 1V0 | 236-4441 |